

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6779

BILL NUMBER: HB 1097

DATE PREPARED: Dec 14, 2000

BILL AMENDED:

SUBJECT: Expense of Relocating Municipal Utility Lines.

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FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill allows the Indiana Department of Transportation(INDOT) to negotiate an agreement with a utility to reimburse the utility for extraordinary costs of facilities relocation caused by a combination of highway or bridge construction or improvement projects.

Effective Date: July 1, 2001.

Explanation of State Expenditures: This proposal allows INDOT to negotiate agreements with utilities regarding reimbursement for extraordinary costs of facility relocation in situations where a combination of highway projects impact the utility. This likely will add to expenditures for INDOT. However, specific data on the number of such projects and the expenses that may qualify for reimbursement are not known. The fund affected is the State Highway Fund.

Background: Utility companies have a right to occupy INDOT's right-of-way at no cost, but must relocate at their own expense if and when these facilities interfere with INDOT's ability to construct, maintain, or safely operate INDOT's roadways. If a utility owns their own right-of-way or has an easement on private property, INDOT must pay the relocation costs. Each company is free to choose whether to use INDOT's right-of-way at no charge or purchase their own.

However, in certain situations, INDOT encounters projects where utility companies can not move out of the INDOT's way in a timely manner because relocation costs were substantially more than the utility could afford. In an attempt to solve the problem, the law was changed to allow INDOT the authority to reimburse a utility for extraordinary relocation costs due to a highway project. Such reimbursements are not mandatory, but at the discretion of INDOT. Extraordinary cost is defined as the portion of the otherwise non-reimbursable relocation cost that exceeds ten percent of the utility's annual gross revenue, or 50% of the overall highway project cost. This formula has been applied to situations involving single projects. This bill allows consideration of a combination of projects affecting the same utility.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: This provision has the potential for municipal utilities to negotiate for additional reimbursement from INDOT in certain situations involving multiple INDOT projects impacting the utility. The specific impact will depend upon the number of highway or bridge construction or improvement projects of this type, as well as the administrative actions of INDOT.

At least one municipal utility may have benefitted if this proposal had been in place. This municipal utility received reimbursement from INDOT for expenses incurred resulting from highway construction projects. The reimbursement was in excess of \$3 M. According to the utility, they may have been able to receive an additional \$300,000 to \$400,000 had this proposal been in effect. The number of situations of this type that may occur in the future and the expenses involved are not known.

State Agencies Affected: Department of Transportation.

Local Agencies Affected: Cities and towns.

Information Sources: Rick Whitney, Deputy Commissioner and Controller of the INDOT, 232-1472; Steve Hull, Manager of Design Services of the INDOT, 232-5340.